

Yokogawa Electric Corporation

Financial Results for 1st Half of Fiscal Year 2010



November 9, 2010

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Summary of FY10 1H Results

Orders and sales were up from FY09 1H thanks to economic recovery. As a result of improved sales, higher gross profit, reduced losses from adoption of the lower of cost or market basis rule, and a review of the fixed cost structure, both operating income and ordinary income were up substantially and net loss decreased.

Control segment: Although demand remained low in North America, there were signs of a pick-up in Europe. Demand remained strong in China, Russia, South Korea, and countries in Southeast Asia, and the Japanese market also showed signs of recovery. As a result, orders were up from FY09 1H. While yen-based results were down slightly due to the strong yen, local currency-based sales and operating income improved.

Measurement segment: Demand for front-end memory testers, which are a key product for this business, did not pick up. In the measuring instruments market, demand was up for power and optical measuring instruments. As a result of these trends, orders and sales were up overall. Due to the higher sales and an extensive effort to reduce expenses, operating loss improved dramatically in comparison to FY09 1H.

(Billion ¥)

	FY09 1H results (A)	FY10 1H budget (8/10) (B)	FY10 1H results (C)	Difference (C-A)	Difference (C-B)
Orders	154.7	168.0	169.7	15.0	1.7
Sales	150.7	154.0	153.3	2.6	(0.7)
Operating income	(2.4)	2.0	3.9	6.3	1.9
Ordinary income	(4.1)	0	1.8	5.9	1.8
Net income	(14.5)	(3.0)	(3.5)	11.0	(0.5)



FY10 1H Budget and Financial Results

(Billion ¥)

		Initial budget (5/14)	Revised budget (8/10) (A)	Results (B)	Difference (B-A)
Orders		162.0	168.0	169.7	1.7
Sales		155.0	154.0	153.3	(0.7)
Operating income		0	2.0	3.9	1.9
Ordinary income		(2.0)	0	1.8	1.8
Net income		(4.0)	(3.0)	(3.5)	(0.5)
Exchange rate (¥)	1\$= 1€=	90 130	90 110	87.99 112.82	(2.01) 2.82

- Even though the control and measurement segments fell slightly short of their targets, orders exceeded the revised budget because of a better than anticipated performance by the other businesses segment.
- Although the control segment slightly missed its target due to the strong yen, overall sales were close to the revised budget.
- Operating income exceeded the budget figure due to tighter control of expenses and a review of the fixed cost structure.
- The net income target was missed due to factors such as a ¥2.6 billion loss on the valuation of investment securities.



Comparison of FY08/09/10 1H Financial Results

(Billion ¥)

		FY08 1H	FY09 1H (A)	FY10 1H (B)	Difference (B-A)
Orders		215.7	154.7	169.7	15.0
Sales		196.8	150.7	153.3	2.6
Operating income		5.0	(2.4)	3.9	6.3
Ordinary income		4.4	(4.1)	1.8	5.9
Net income		3.8	(14.5)	(3.5)	11.0
Exchange rate (¥)	1\$= 1€=	106.23 162.12	94.78 133.21	87.99 112.82	(6.79) (20.39)

- While the strong yen remained influential (impact of exchange rate: -¥5.9 billion yen for orders and -¥5.4 billion for sales), FY10 1H orders and sales were up for all business segments due to improved market conditions.

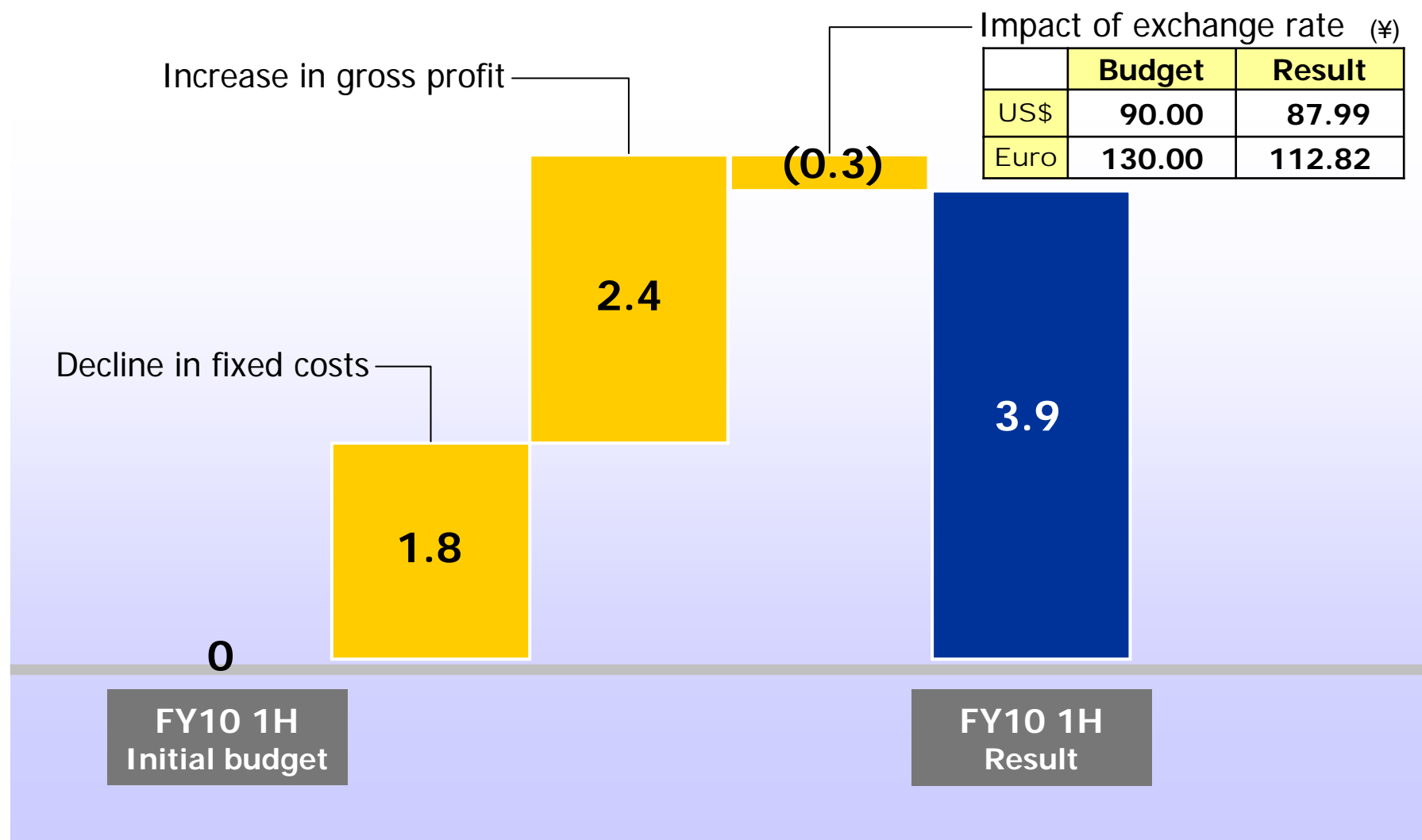
- FY10 1H operating income was up significantly thanks to such factors as improved gross profit, reduced losses from adoption of the lower of cost or market basis rule, and the reduction of fixed costs.

- The net loss in FY10 1H is down from FY09 1H, when a ¥5.4 billion impairment loss and a ¥0.6 billion restructuring loss were recorded.



FY10 1H Operating Income (Initial budget/Result)

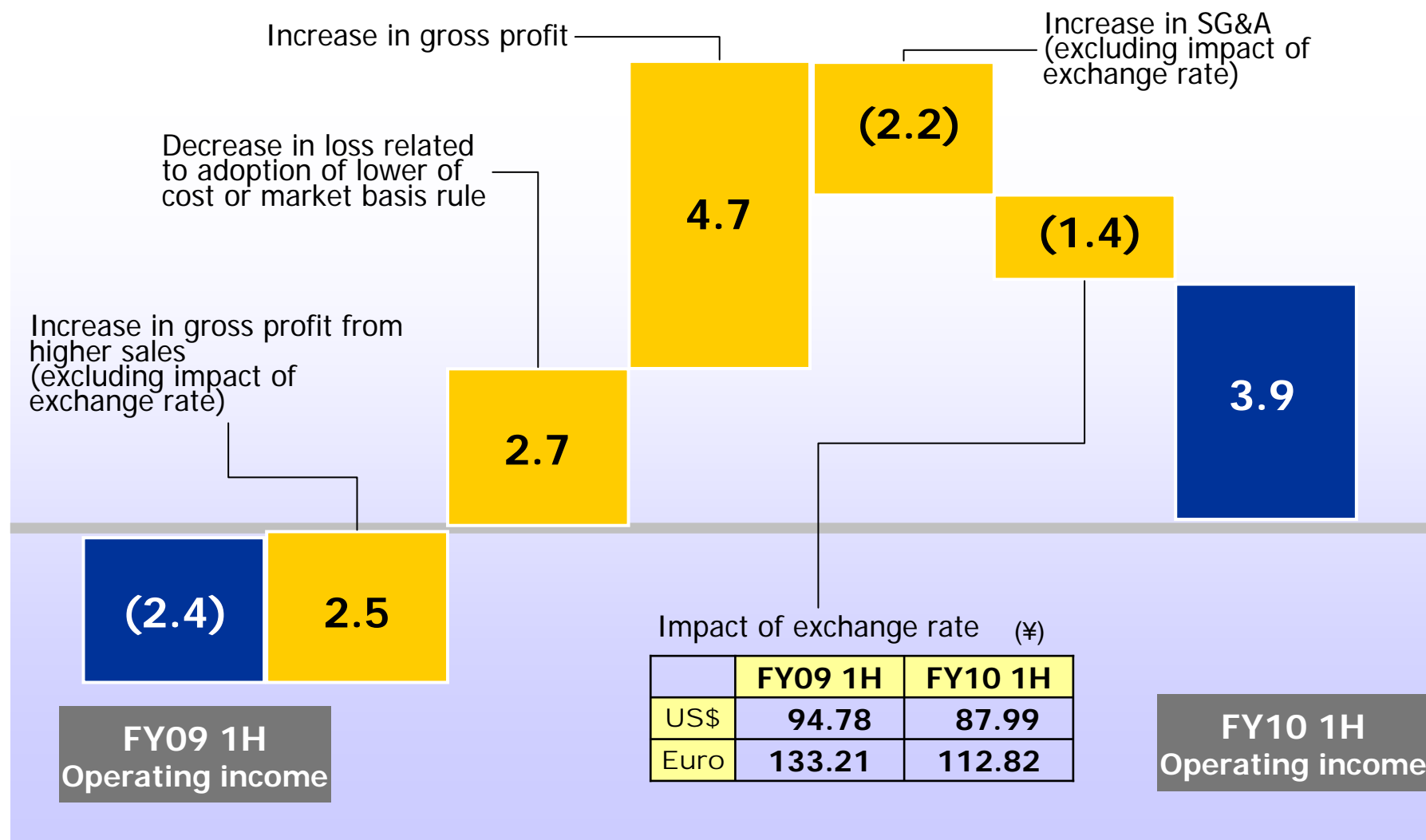
(Billion ¥)





FY09/FY10 1H Operating Income

(Billion ¥)





Quarterly Financial Results

(Billion ¥)

	FY08				FY09				FY10	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Orders	111.9	103.8	82.5	76.1	79.8	74.9	72.7	87.8	88.0	81.7
Sales	83.5	113.3	76.1	103.6	64.5	86.2	68.5	97.4	66.2	87.1
Operating income	(4.3)	9.3	(5.8)	5.5	(5.6)	3.2	(0.3)	5.3	(0.6)	4.5

- FY10 2Q orders are down from FY10 1Q due to a decrease in non-Japan control orders that is mainly due to the strong yen.
- FY10 2Q sales are up from FY10 1Q because many Japan control sales were recorded at the end of FY10 2Q (end of September).



Non-operating / Extraordinary Income and Expenses

(Billion ¥)

	FY09 1H	FY10 1H budget (5/14)	FY10 1H results
Operating income	(2.4)	0	3.9
Non-operating income	1.2	(2.0)	1.8
Non-operating expenses	2.9		3.9
Ordinary income	(4.1)	(2.0)	1.8
Extraordinary income	0.3	(0.5)	0.4
Extraordinary expenses	8.8		3.3
Income before tax	(12.6)	(2.5)	(1.1)
Tax, etc.	1.9	1.5	2.4
Net income	(14.5)	(4.0)	(3.5)

Interest paid: 1.5 billion yen
Exchange loss: 1.5 billion yen

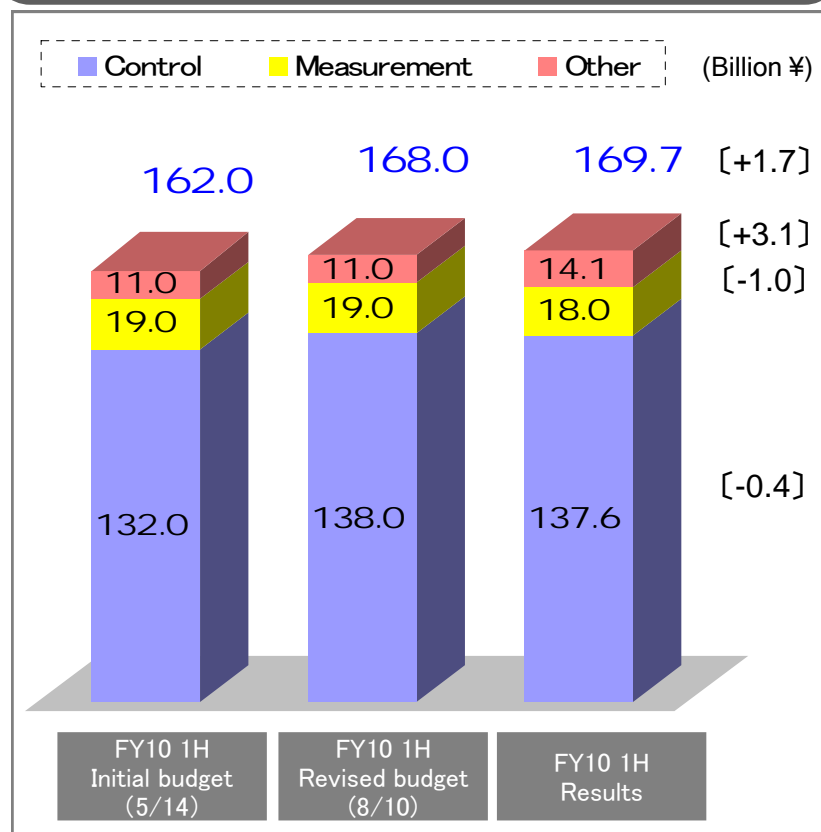
Loss on valuation of
investment securities:
2.6 billion yen

- FY10 1H non-operating expenses are up due to increased interest expenses (¥1 billion in FY09 1H -> ¥1.5 billion in FY10 1H) and exchange losses (¥0.4 billion in FY09 1H -> ¥1.5 billion in FY10 1H).
- FY10 1H extraordinary expenses were lower due to the cumulative effect of decreased impairment losses (¥5.4 billion in FY09 1H -> ¥30 million in FY10 1H) and an increase in the loss on valuation of investment securities (¥1.5 billion in FY09 1H -> ¥2.6 billion in FY10 1H).

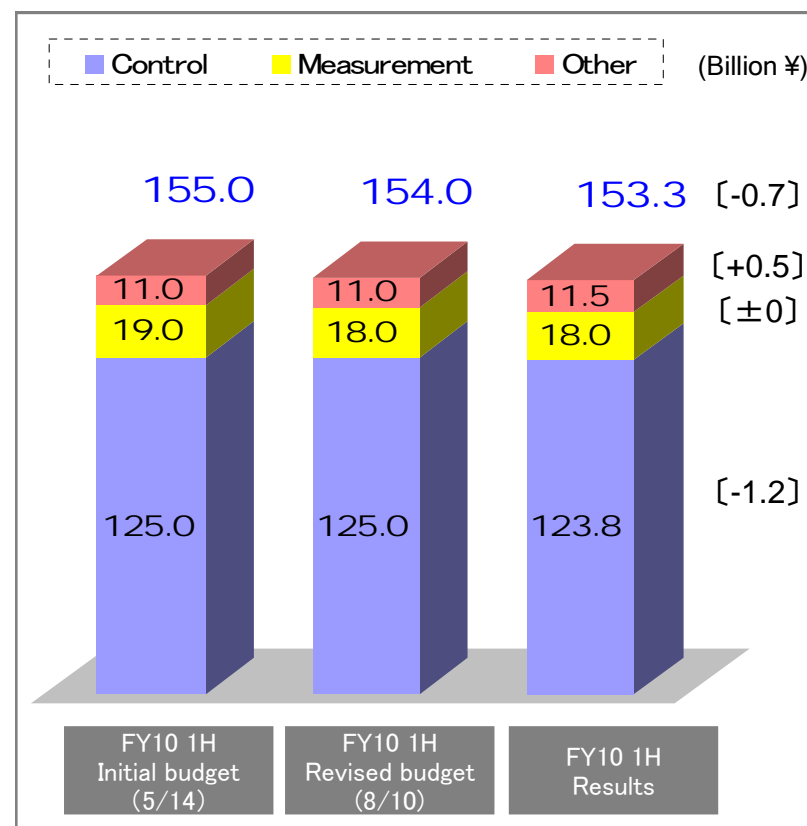


FY10 1H Budget and Results Comparison for Orders and Sales by Segment

Orders



Sales

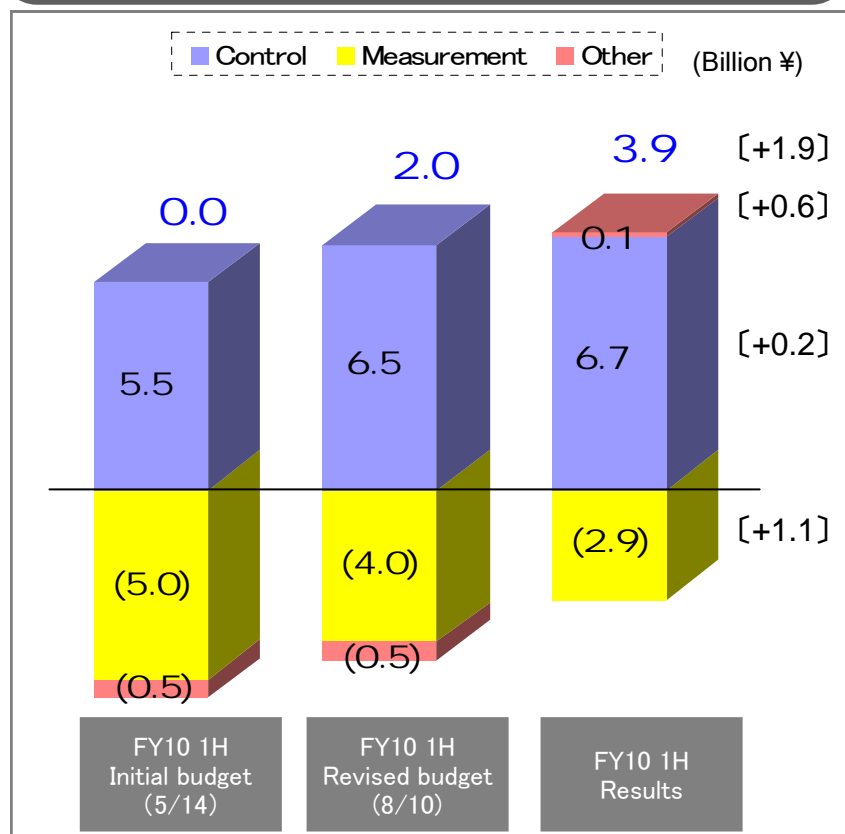


- Orders: The measurement segment did not meet its target, and this was due largely to its semiconductor tester business. The other businesses segment performed much better than expected because of an increase in orders for products such as meteorological/hydrological monitoring systems.
- Sales: The control segment fell short of its target due to factors such as the strong yen.



FY10 1H Budget and Results Comparison for Operating Income by Segment

Operating Income



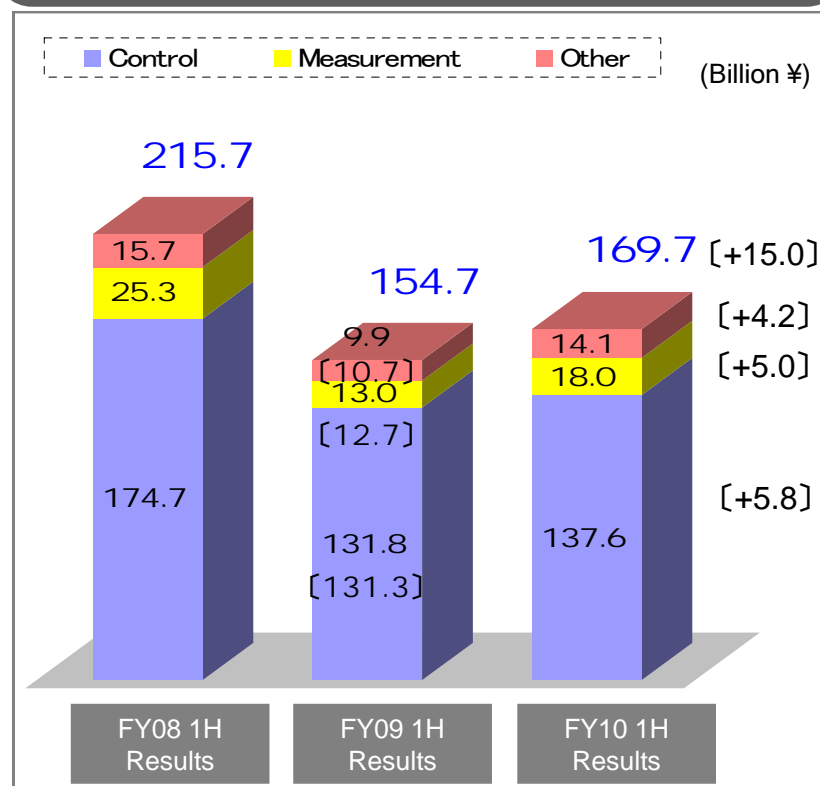
	(Billion ¥)		
	FY10 1H revised budget (8/10)	FY10 1H results	Difference
Control	6.5	6.7	0.2
Measurement	(4.0)	(2.9)	1.1
Other	(0.5)	0.1	0.6
Total	2.0	3.9	1.9

- Operating income: The FY10 1H target was exceeded thanks to improved gross profit and a reduction in fixed costs.

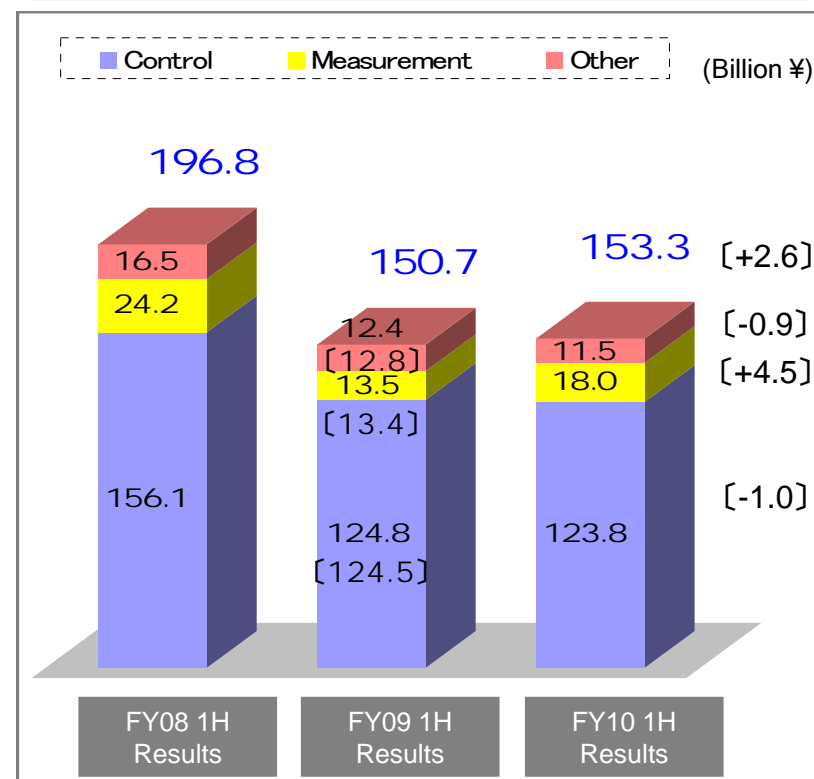


FY08/09/10 1H Orders and Sales by Segment

Orders



Sales



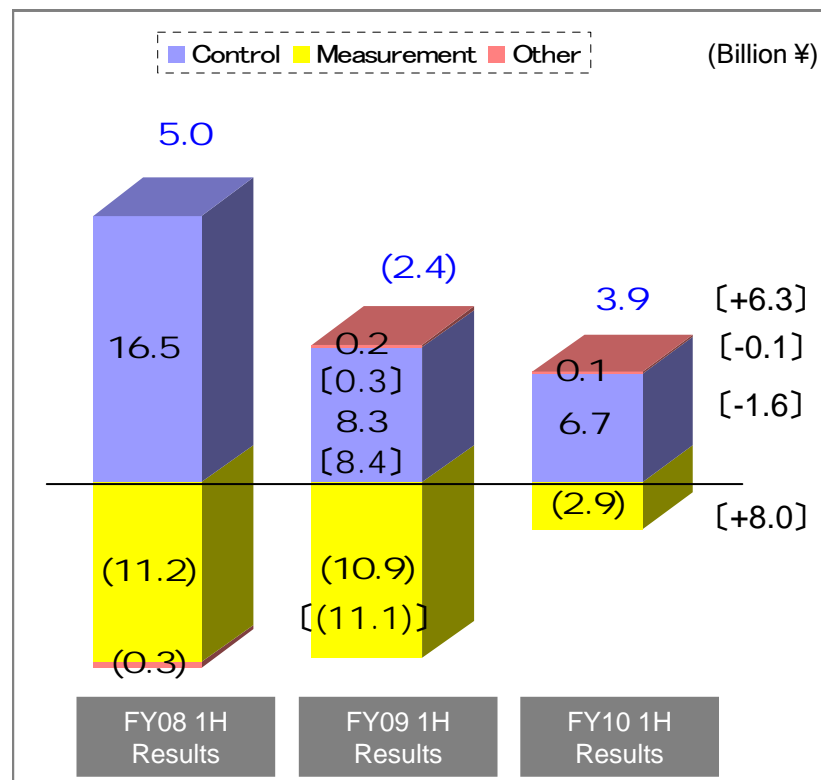
Note: The method for aggregating segment data changed in FY10 as a result of the application of a new accounting standard. The FY08 data and the FY09 data that appears in brackets were calculated based on the previous aggregation method.

- Orders: Despite the strong yen (impact of exchange rate: -¥5.5 billion), the control segment produced better results than in FY09 1H thanks to the improved market environment. Orders for the measurement segment also increased because of a pick-up in demand for measuring instruments.
- Sales: Although the control segment recorded lower sales than in FY09 1H due to the strong yen (impact of exchange rate: -¥4.9 billion), all measurement segment businesses had better results over the same time period.



FY08/09/10 1H Operating Income by Segment

Operating Income



(Billion ¥)

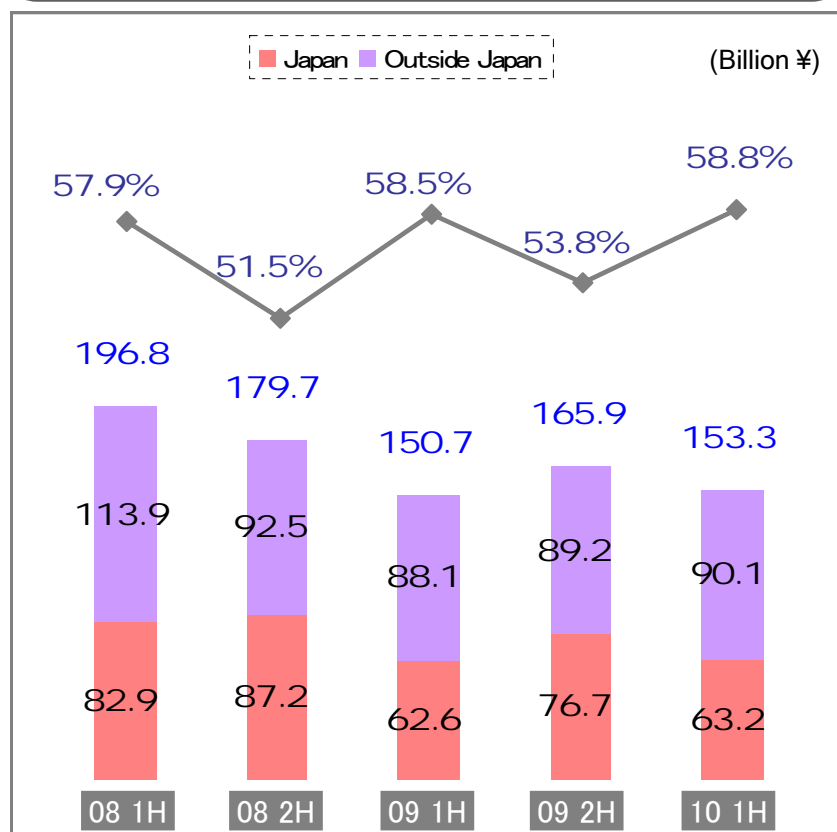
	FY09 1H results	FY10 1H results	Difference
Control	8.3	6.7	(1.6)
Measurement	(10.9)	(2.9)	8.0
Other	0.2	0.1	(0.1)
Total	(2.4)	3.9	6.3

Note: The method for aggregating segment data changed in FY10 as a result of the application of a new accounting standard. The FY08 data and the FY09 data that appears in brackets were calculated based on the previous aggregation method.

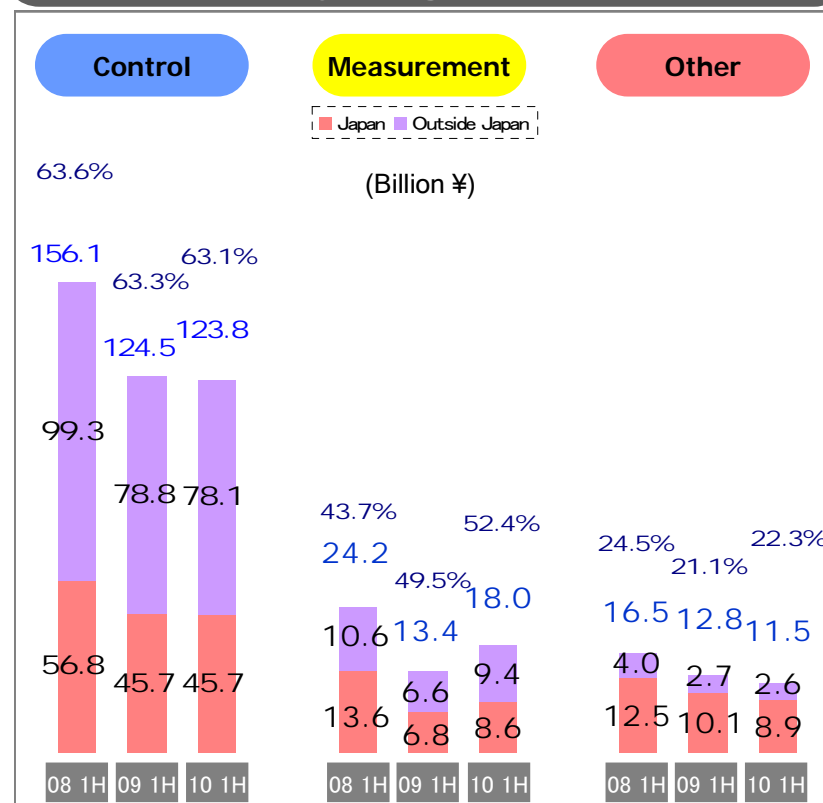
- Control: FY10 1H operating income is down due to lower sales; an increase in R&D, labor, and other expenses; and the strong yen.
- Measurement: FY10 1H operating loss is much smaller due to increased sales and reductions in R&D, labor, and other expenses.

Global Sales

Total



By Segment

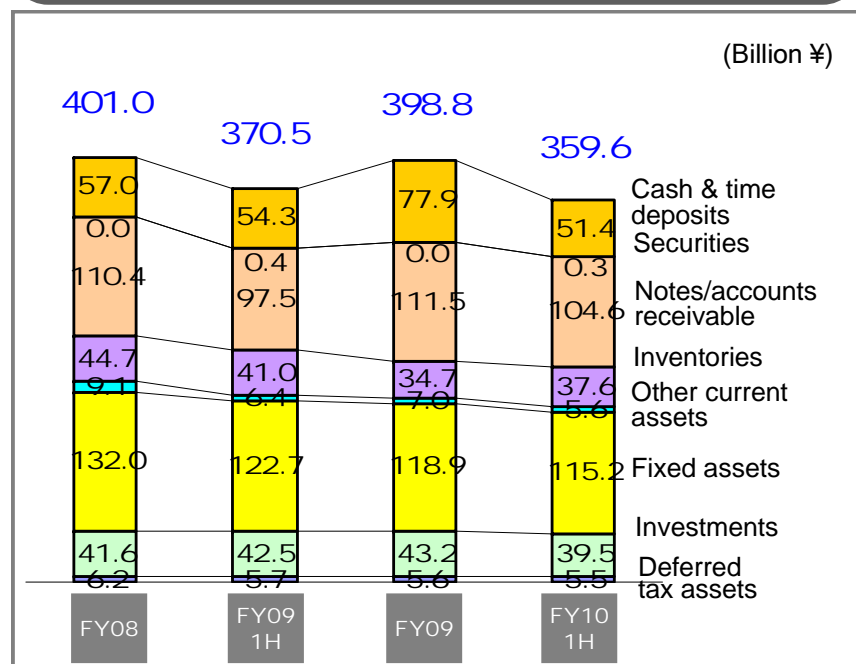


Note: FY08 and FY09 results are based on the previous segment aggregation method.

- Control: Due to the strong yen, the percentage of sales from outside Japan was slightly lower in FY10 1H than in FY09 1H.
- Measurement: The percentage of sales from outside Japan increased in FY10 1H mainly because of an increase in non-Japan sales for semiconductor testers.

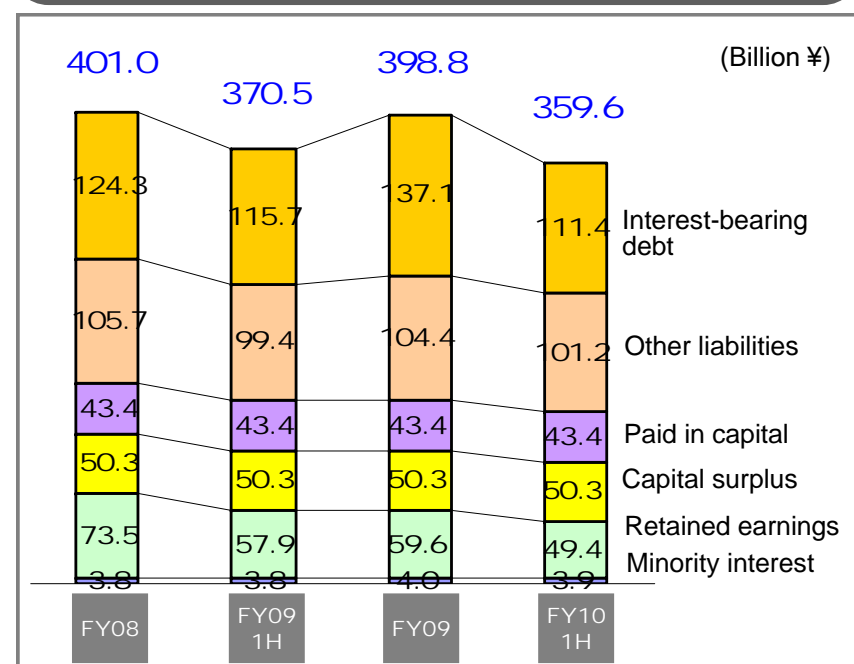
Trend of Balance Sheet

Assets



	FY08	FY09 1H	FY09	FY10 1H
Total assets turnover	0.89	0.83	0.79	0.87
Equity ratio	41.7%	40.9%	38.5%	39.8%

Liabilities and Equity

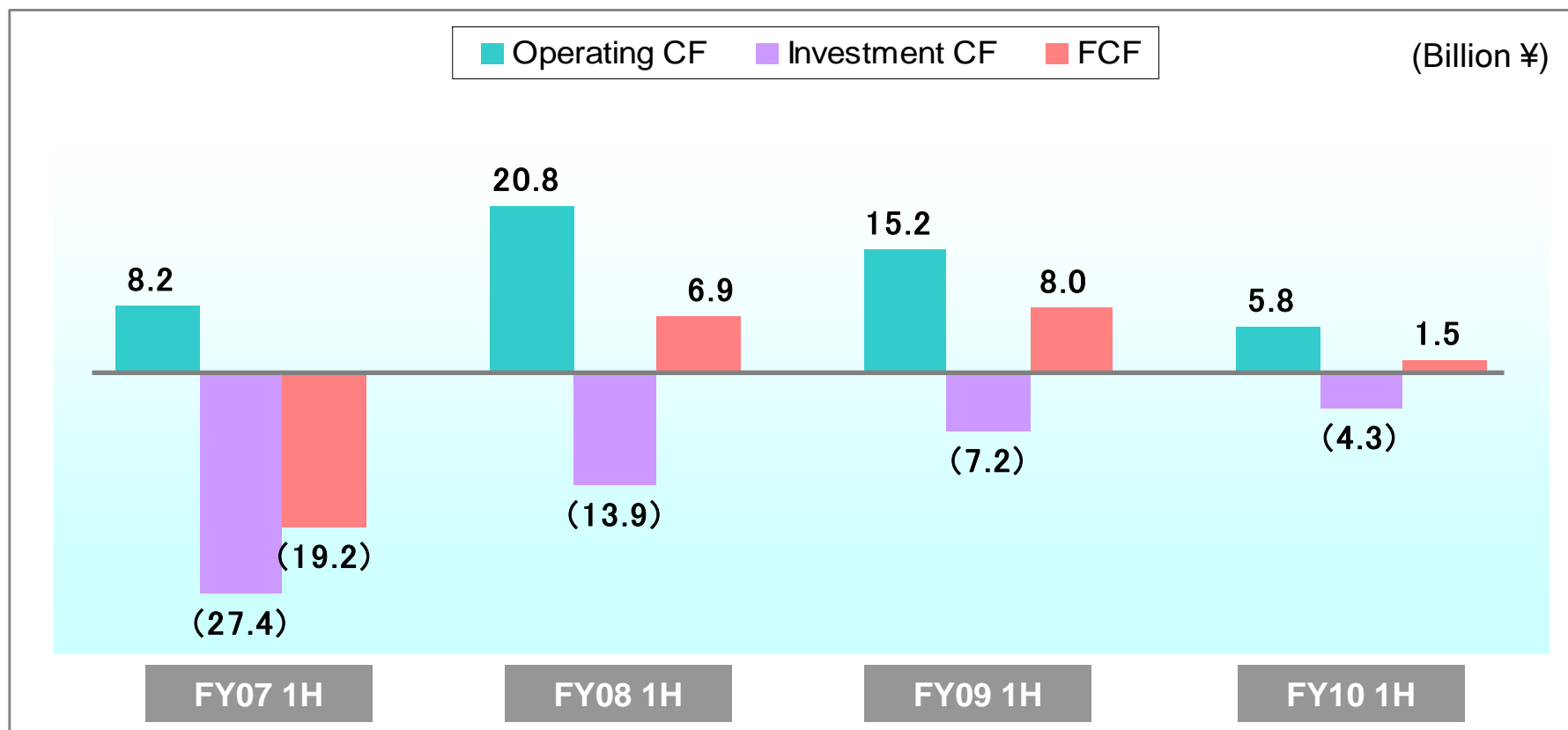


	FY08	FY09 1H	FY09	FY10 1H
Debt/equity ratio	74.3%	76.3%	89.4%	77.8%
Interest-bearing debt ratio	31.0%	31.2%	34.4%	31.0%

- FY10 1H cash and time deposits decreased ¥26.5 billion and liabilities with interest decreased ¥25.7 billion as a result of the payment of ¥24 billion in long-term loans.



Trend of Cash Flow FY07 - 10 1H



- The inflow from operating activities fell ¥9.4 billion from FY09 1H to FY10 1H because of an increase in working capital resulting from higher sales.
- The outflow from investment activities decreased ¥2.9 billion yen from FY09 1H to FY10 1H due to factors such as reduced capital investment.



FY10 Revised Budget

(Billion ¥)

		FY09 results (A)	FY10 budget			
			5/14 (B)	11/9 (C)	Difference (C-A)	Difference (C-B)
Orders		315.2	340.0	340.0	24.8	0
Sales		316.6	335.0	328.0	11.4	(7.0)
Operating income		2.6	8.0	11.0	8.4	3.0
Ordinary income		0.2	5.0	8.0	7.8	3.0
Net income		(14.8)	0	(2.5)	12.3	(2.5)
Exchange rate (¥)	1\$=	92.61	90	85	(7.61)	(5)
	1€=	130.68	130	110	(20.68)	(20)

- The dollar exchange rate for FY10 as a whole has been revised from ¥90 to ¥85. The FY10 2H rate has been revised to ¥82.
- FY10 sales have been revised downward by ¥7 billion due to factors such as the revisions in the exchange rates and the semiconductor tester sales budget.
- The FY10 operating income and ordinary income budget figures have been revised upward by ¥3 billion because the initial targets for FY10 1H were exceeded.



FY10 Revised Budget for Non-operating/ Extraordinary Income and Expenses

(Billion ¥)

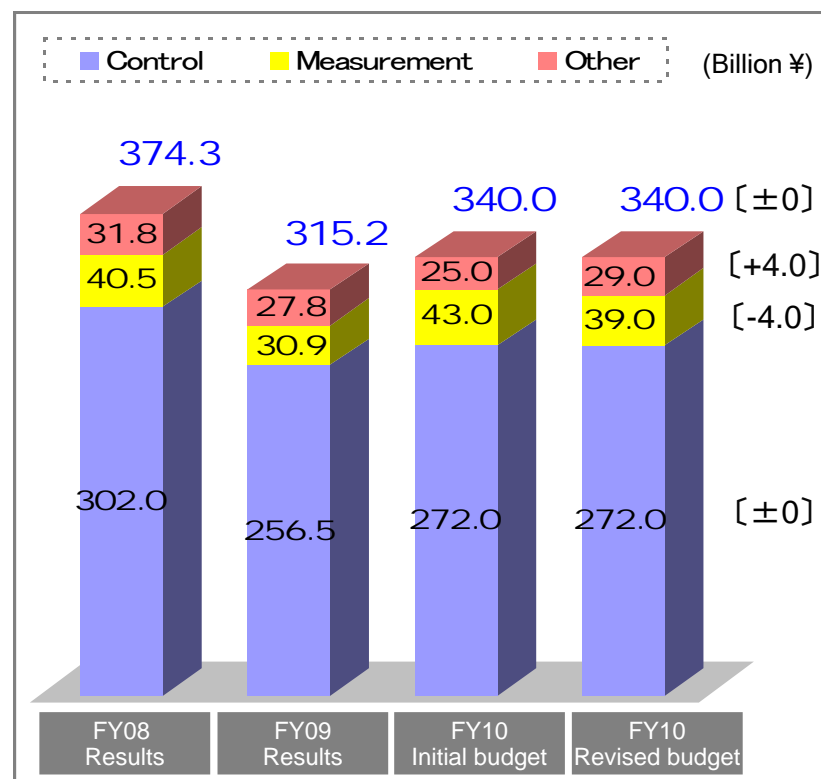
	FY09	FY10		
	Results	1H results	Initial budget (5/14)	Revised budget (11/9)
Operating income	2.6	3.9	8.0	11.0
Non-operating income	3.1	1.8	(3.0)	(3.0)
Non-operating expenses	5.5	3.9		
Ordinary income	0.2	1.8	5.0	8.0
Extraordinary income	1.0	0.4	(1.0)	(5.5)
Extraordinary expenses	11.9	3.3		
Income before tax	(10.7)	(1.1)	4.0	2.5
Tax, etc.	4.1	2.4	4.0	5.0
Net income	(14.8)	(3.5)	0	(2.5)

- The FY10 net income figure has been revised downward due to a 2.6 billion yen valuation loss on investment securities that was recorded in FY10 1H; expected extraordinary losses of ¥2.5 billion from the solicitation of applications for an Expanded Second-life Program, a restructuring loss, and other expenses that are to be incurred in FY10 2H; and an increase in income taxes.

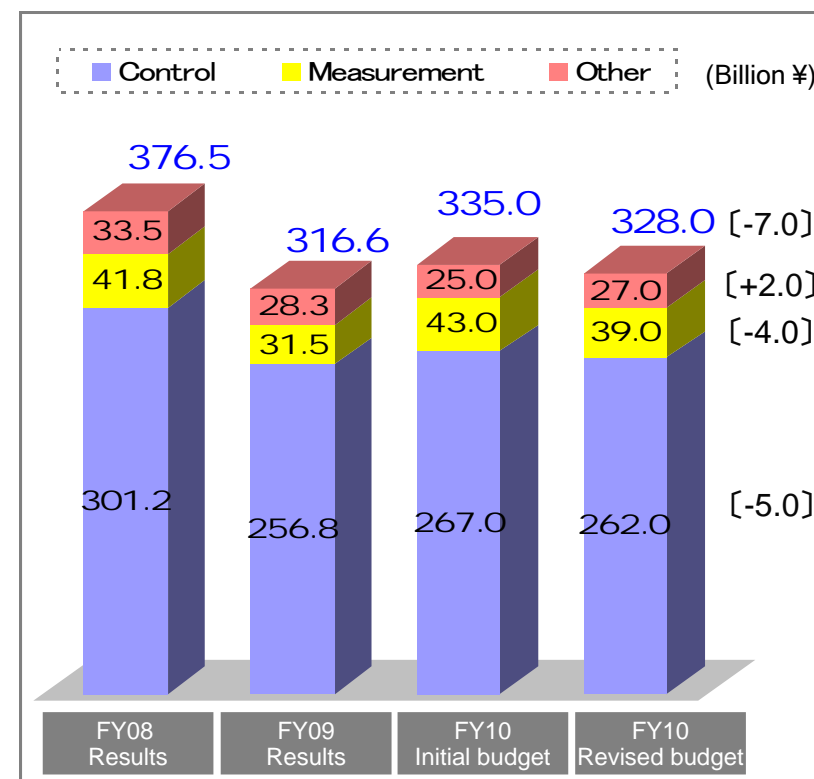


FY10 Budget for Orders and Sales by Segment

Orders



Sales



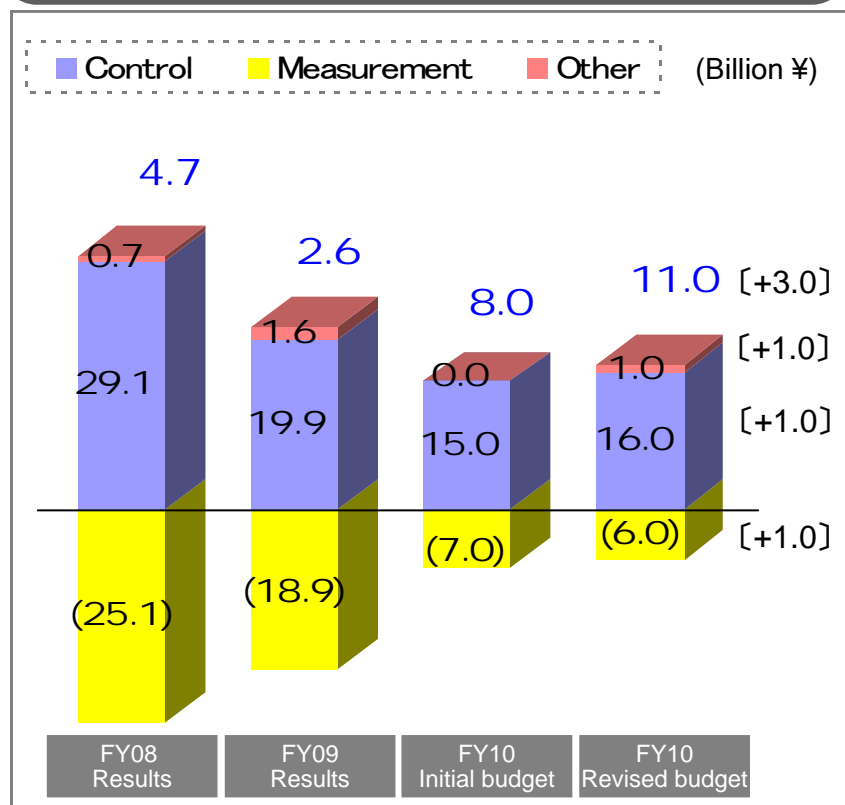
Note: FY08 and FY09 results are based on the previous segment aggregation method.

- Orders: The FY10 control segment budget remains unchanged, while the measurement segment budget has been revised downward by ¥4 billion because of the cumulative effect of an expected increase in measuring instrument orders and an expected decrease in semiconductor tester orders.
- Sales: The FY10 control segment budget has been revised downward by ¥5 billion due to the new yearly ¥85 dollar exchange rate, and the measurement segment budget has been reduced by ¥4 billion because of the cumulative effect of an increase in measuring instrument sales and a decrease in semiconductor tester sales.

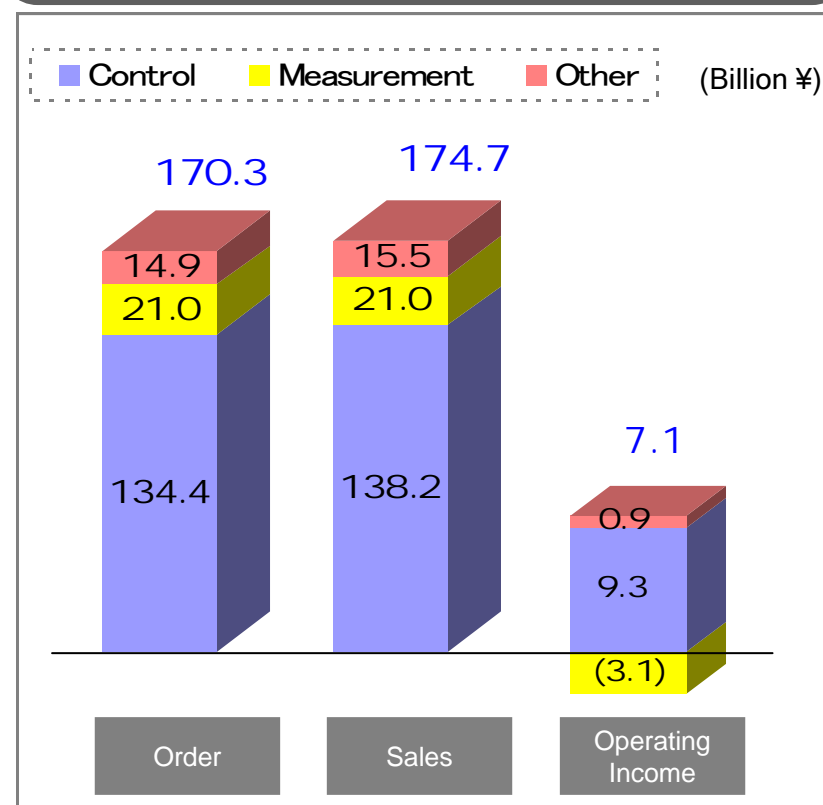


FY10 Budget for Operating Income by Segment

Operating Income



FY10 2H Budget

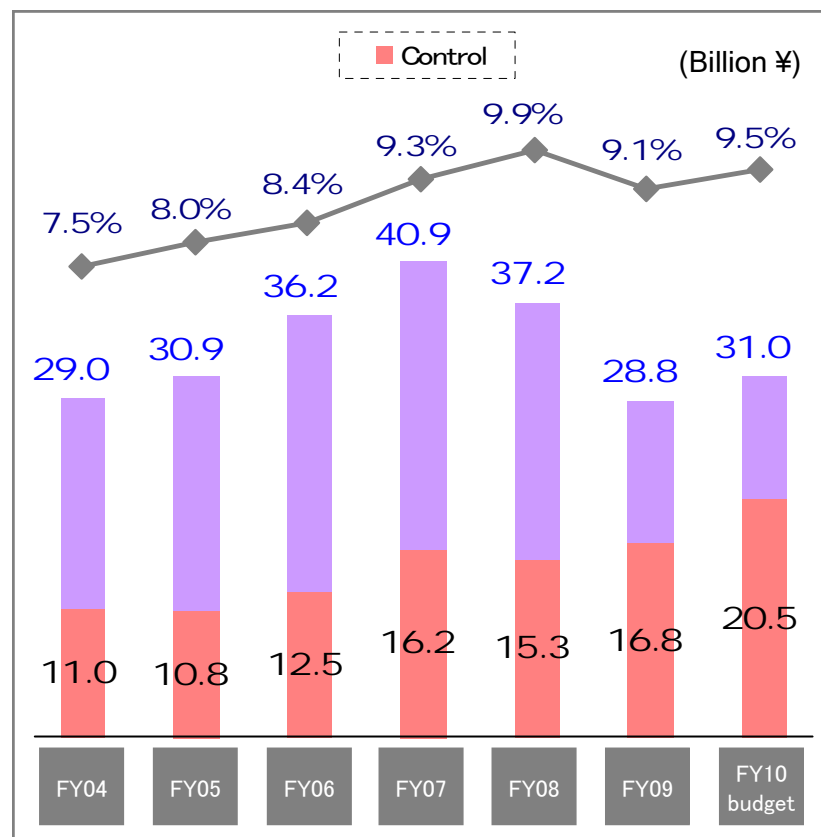


Note: FY08 and FY09 results are based on the previous segment aggregation method.

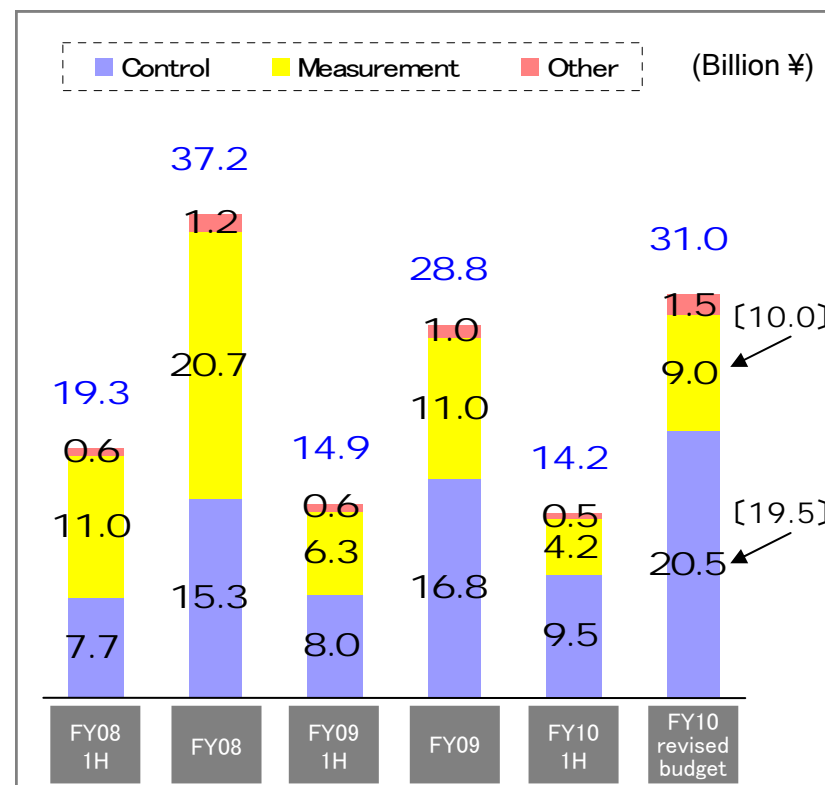
- The FY10 operating income budget has been revised upward because all segments exceeded their initial targets for FY10 1H.

Trend of R&D Expenses

Trend of R&D Expenses



Trend of R&D Expenses by Segment

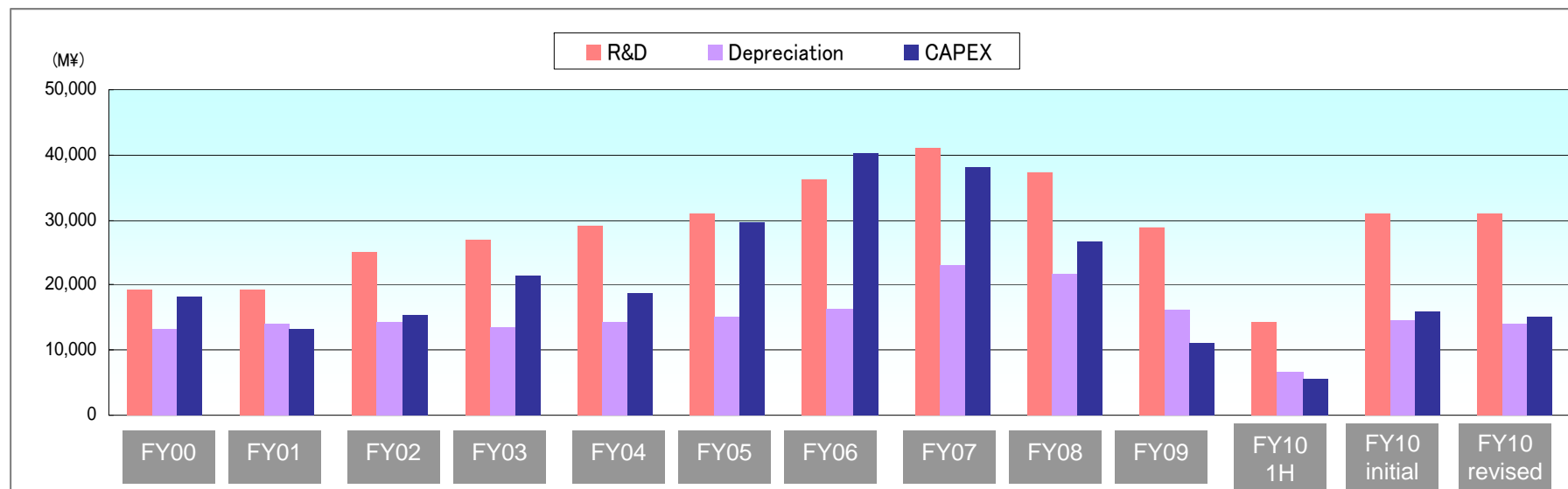


* The figures in brackets were announced on May 14.

- FY10 R&D expenses have been revised upward by ¥1 billion for the control segment and downward by ¥1 billion for the measurement segment.



R&D Expenses, Depreciation and CAPEX

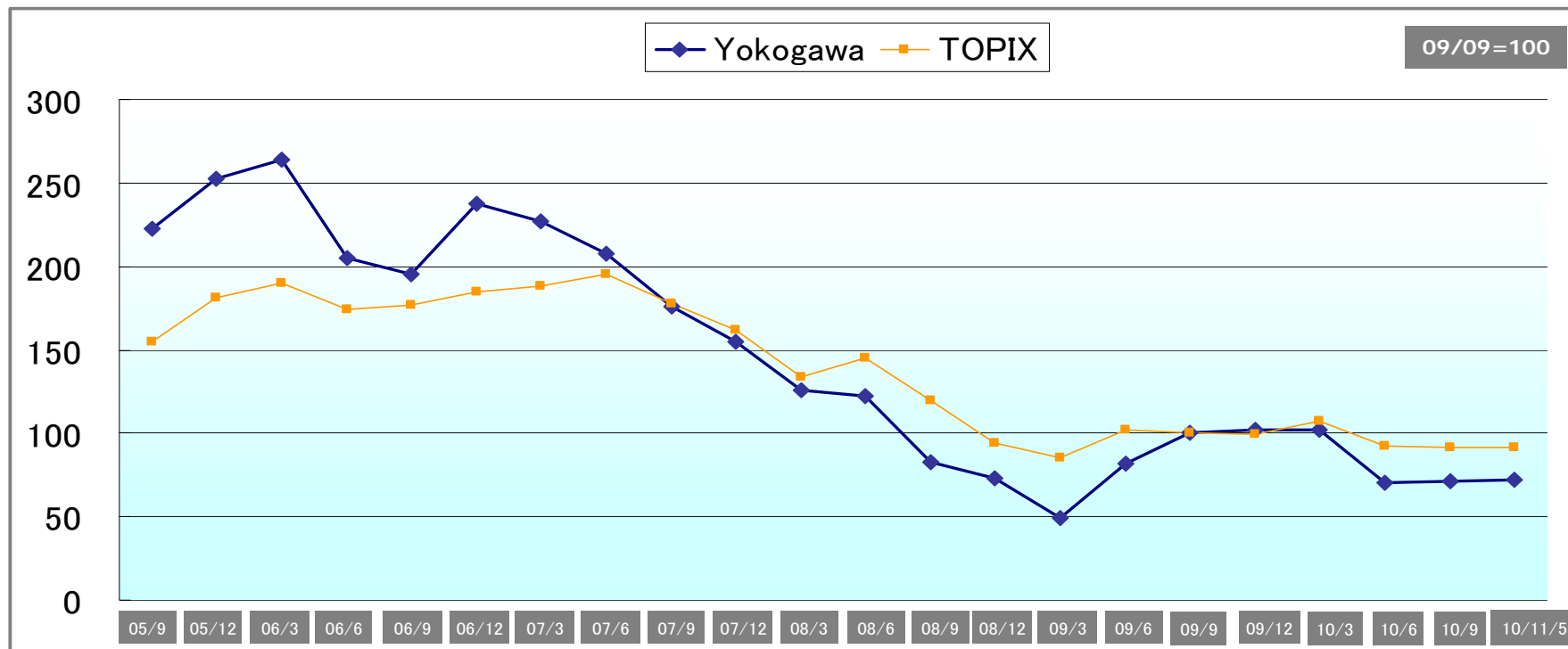


(Billion ¥)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10 1H	FY10 budget	
												Initial	Revised
R&D expenses (% of sales ratio)	19,181	19,236	25,233	26,991	28,998	30,917	36,223	40,875	37,229	28,786	14,282	31,000	31,000
	5.4%	6.2%	7.7%	7.3%	7.5%	8.0%	8.4%	9.3%	9.9%	9.1%	9.3%	9.3%	9.5%
Depreciation (% of sales ratio)	13,190	13,964	14,298	13,455	14,331	15,124	16,483	23,129	21,615	16,033	6,682	14,500	14,000
	3.7%	4.5%	4.3%	3.6%	3.7%	3.9%	3.8%	5.3%	5.7%	5.1%	4.4%	4.3%	4.3%
CAPEX (% of sales ratio)	18,173	13,347	15,264	21,355	18,652	29,540	40,284	37,990	26,813	11,125	5,482	16,000	15,000
	5.2%	4.3%	4.6%	5.7%	4.8%	7.6%	9.3%	8.7%	7.1%	3.5%	3.6%	4.8%	4.6%

- The FY10 depreciation budget has been revised downward by ¥0.5 billion (from ¥14.5 billion to ¥14 billion).
- The FY10 CAPEX budget has been revised downward by ¥1 billion (from ¥16 billion to ¥15 billion).

Trend of Stock Price



	05/9	05/12	06/3	06/6	06/9	06/12	07/3	07/6	07/9	07/12	08/3	08/6	08/9	08/12	09/3	09/6	09/9	09/12	10/3	10/6	10/9	10/11/5
Yokogawa	1,772	2,010	2,095	1,631	1,552	1,887	1,806	1,654	1,398	1,228	998	971	659	582	394	650	795	812	814	557	568	571
TOPIX	1,412	1,650	1,728	1,587	1,611	1,681	1,714	1,775	1,617	1,476	1,213	1,320	1,087	859	774	930	910	908	979	841	830	835

	05/9	05/12	06/3	06/6	06/9	06/12	07/3	07/6	07/9	07/12	08/3	08/6	08/9	08/12	09/3	09/6	09/9	09/12	10/3	10/6	10/6	10/11/5
Yokogawa	223	253	264	205	195	237	227	208	176	154	126	122	83	73	50	82	100	102	102	70	71	72
TOPIX	155	181	190	174	177	185	188	195	178	162	133	145	119	94	85	102	100	100	108	92	91	92



Disclaimer

The information pertaining to our business plans and forecasts that has been provided in this presentation and at analyst meetings contains forward-looking statements that are based on our management's current knowledge and require the making of assumptions about future events. As such, it cannot be guaranteed that these statements will not differ materially from actual results.